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O N F I D E N T I A L PANAMA 001116

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TAGS: [KSPR](#) [EAID](#) [AMGT](#) [PINS](#) [KTAO](#)
SUBJECT: EMBASSY PANAMA SHARPENS ITS FOCUS ON SECURITY,
DEMOCRACY AND POVERTY

REF: A. A. PANAMA 01029
[1](#)B. B. PANAMA 000897
[1](#)C. C. PANAMA 00919
[1](#)D. D. PANAMA 000676

Classified By: Classified by Amb. William A. Eaton for reasons 1.4(b) and (d)

[1](#)1. (C) SUMMARY: Country team met off-site to assess the status of U.S./Panama bilateral relations, review our priorities and ensure the correct alignment of USG activities and resources. Participants reached consensus that USG interests were best served by focusing on three strategic areas: security, democracy, and poverty. GOP cooperation on canal security, law enforcement, and third border priorities remains high. Although Panama is committed to democracy, country team remains concerned about corruption, lack of transparency, weak rule of law and press manipulation as well as increased interaction with Cuba and Venezuela. While Panama's macroeconomic indicators (real growth, trade, investment, fiscal performance, and per capita income) are strong, a stubborn poverty rate of 40% and vast income disparities leave significant portions of the population vulnerable to anti-capitalist and anti-democratic ideology popular in the region. Country team identified key priorities for each strategic area. On the security area, our medium term objectives are to increase USG presence in the Darien and support the development of a competent border patrol and coast guard. On democracy, we will remain actively engaged in countering corruption and shoring up the rule of law and freedom of the press. Country team will increase its vigilance of GOP actions that could ultimately affect our interests (e.g. closer relations with Cuba and Venezuela). On poverty, we will leverage our dwindling assistance budget through partnerships with NGOs, the private sector, international institutions and the Panamanians to promote free trade, and access to opportunity as well as programs that address the needs of the poor. To win hearts and minds, each strategic area will be accompanied by an aggressive public diplomacy program which raises the visibility of the generosity of the people of the United States and focuses on the personal angle for the average Panamanian. The off-site also identified the importance of internal communications and cooperation in order to act cohesively as one USG. END SUMMARY.

SECURITY

[1](#)2. (C) Country team reviewed our security programs and concluded that U.S. law enforcement, security and military

agencies conduct operations unimpeded and receive excellent cooperation from the GOP. Our agencies are focused on deepening existing programs (counter-narcotics, money laundering, international crime, terrorism finance, and institution building). Country team agreed that the biggest concern remains the ungoverned Darien region bordering Colombia and the Colon Free Zone as a center for money laundering and other illegal activities. Noting the GOP's sensitivities about projecting an image of being too close to the USG on security matters, public outreach regarding U.S. security assistance will remain focused on the humanitarian aspects of DoD and law enforcement activities.

¶3. (C) Comment: This level of cooperation is expected to continue as long as the target of investigation by U.S. law enforcement and military remains primarily non-Panamanian and specifically not any alleged illicit activities of President Torrijos or his administration.

DEMOCRACY

¶4. (C) Country team believes it is in the U.S. interest to maintain and strengthen democratic institutions. Panama's democratic development is hindered by a constitution that concentrates power in the executive branch, and weak legislature and judiciary branches. The political class sees public service as a vehicle to exercise influence and self enrichment. Combined with a weak press and significant poverty, Panama's democracy remains vulnerable to a charismatic, anti-capitalist candidate. Country team also noted a series a GOP steps contrary to U.S. interests, such as a lack of cooperation on the Colastra kidnappings (Ref A),

overt pursuit of closer diplomatic ties to Cuba (Ref B), the appointment of many Noriega-era officials, including one that critized President Bush on the eve of his November visit, (Refs B&C), and the denial of due process to a major U.S. investor (Ref D).

5.(C) In response to these changes, country team will redouble its vigilance of GOP activities, engage the GOP to express out displeasure, deepen our relationship with oppositon parties and all factions within the PRD, and remain vocal in our support for transparency and judicial reform.

POVERTY

¶6. (C) Country team believes the stubbornness of poverty in a country with strong macroeconomic performance remains a threat to its economic and political stability. Massive flows of foreign direct investment from the U.S., Canada, Europe and Asia and a building boom contrast quite starkly with an overall 40% poverty rate and vast income disparities. Twenty percent of Panamanians control two thirds of the country's wealth, while the bottom 20 percent control only 1.5 percent of wealth. With wages stagnant, the strong affinity of many Panamanians for a welfare state makes Panama vulnerable to the rise of populist demagogues.

¶7. (C) With traditional USG aid to the region declining, country team will promote prosperity through free trade advocacy and the leveraging of our resources in support of partnerships with the private sector, NGOs and international institutions aimed at providing more employment opportunities and addressing Panama's poverty issues. Country team will focus its activities on education, small business development, and self-help.

PUBLIC OUTREACH

¶8. (C) Our public diplomacy objective is to remain Panama's partner of choice and to maintain our "special" relationship.

The U.S. enjoys a 90% approval rating among Panamanians. While increasing interaction with Cuba, Venezuela and/or Bolivia is worrisome, the U.S. remains the "incumbent" in Panama with deep cultural and family ties between the two countries. Privately, focusing our resources on security, democracy and poverty while publicly leveraging our humanitarian impact can counter these influences without allowing them to change our main game. We will package USG programs in Panama to emphasize the personal angle to the average Panamanian and expand our outreach to include radio, tabloids, television and other media that reach the majority of Panamanians in rural and marginal urban areas. To ensure maximum impact and consistency, country team will develop carefully targeted messages that the entire country team will deliver. We will also leverage important visitors to help us deliver those messages.

EATON